



OFFICE MARKET UPDATE LOS ANGELES NORTH

FIRST QUARTER 2014

Overview

Leasing activity slowed in the overall Los Angeles North office market during first quarter of 2014, with almost half of the area's submarkets registering negative net absorption. The vacancy rate ticked up slightly but overall absorption was still positive as small businesses created most of the activity in the leasing market. With virtually no new construction taking place, landlords are still hopeful that the recovery will pick up steam soon. The investment market was dominated by larger institutional investors in 2013 but a smaller set of companies in the entertainment, medical, educational and insurance sectors drove sales activity in the first quarter.

Absorption

Net absorption for the Los Angeles North office market was a positive 26,225 square feet in the first quarter 2014, compared to a positive 678,791 square feet in the fourth quarter of 2013. Year to date the Thousand Oaks/SE County submarket had the highest positive absorption with 51,405 square feet followed by the Encino submarket with 26,633 square feet and the North Hollywood submarket with 24,080 square feet. Glendale was the worst performing submarket with negative (37,169) square feet, followed by the Calabasas/Westlake Village submarket with negative (25,931) square feet and the Sherman Oaks submarket with negative (19,654) square feet.

Los Angeles North Office Market Snapshot

Submarket	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Burbank	606	14,088,219	1,818,454	12.9%	-18,881	0	\$2.58
Calabasas/Westlake Village	212	7,662,915	1,120,466	14.6%	-25,931	0	\$1.97
Eastern SFV	601	8,453,132	772,293	9.1%	23,598	0	\$1.80
Encino	86	4,892,790	548,019	11.2%	26,633	0	\$2.30
Glendale	707	11,956,511	1,533,717	12.8%	-37,169	0	\$2.39
North Hollywood	322	3,372,251	326,999	9.7%	24,080	0	\$2.37
Santa Clarita Valley	209	4,771,321	580,773	12.2%	12,662	0	\$2.46
Sherman Oaks	126	3,744,216	357,164	9.5%	-19,654	0	\$2.23
Studio/Universal Cities	289	4,170,272	245,647	5.9%	-18,447	0	\$2.96
Tarzana	73	1,640,462	122,725	7.5%	3,180	0	\$2.03
Thousand Oaks/SE County	311	7,231,336	965,092	13.3%	51,405	114,334	\$2.00
Western SFV	380	6,832,525	1,021,639	15.0%	17,653	0	\$2.01
Woodland Hills/Warner Center	213	10,321,147	1,379,307	13.4%	-12,904	0	\$2.04
Totals	4,135	89,137,097	10,792,295	12.1%	26,225	114,334	\$2.24

Vacancy

The overall office vacancy rate in the Los Angeles North market area rose slightly to 12.1% at the end of the first quarter 2014, compared to 12.0% in the fourth quarter 2013. The Western SFV submarket had the region's highest vacancy rate of 15.0%, followed by the Calabasas/Westlake Village submarket with 14.6%, and the Woodland Hills/Warner Center submarket at 13.4%. The Studio/Universal Cities submarket had the region's lowest vacancy rate of 5.9%, followed by the Tarzana submarket at 7.5% and the Eastern SFV submarket at 9.1%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, remained at \$2.24 per square foot at the end of the first quarter 2014 in the Los Angeles North market. The average quoted rate within the Class A sector was \$2.43 per square foot, with Class B rates at \$2.07 per square foot, and Class C rates at \$1.91 per square foot. The Studio/Universal Cities submarket had the highest average asking rate of \$2.96 per square foot, while the Eastern San Fernando Valley market had the lowest rate at \$1.80 per square foot.

Construction

There was a total of 114,334 square feet of office space under construction in the Los Angeles North office market at the end of the first quarter 2014. The largest building under construction is the 102,334-square-foot Westlake Park Place – Phase II building located at 3059 Townsgate Road. The building is 75.1% pre-leased to Dole Food Company, Inc.

Los Angeles North Top Office Leases

Address	Tenant	SF
28515 Westinghouse Blvd., Valencia	Advanced Bionics (renewal)	146,000
3059 Townsgate Road, Westlake Village	Dole Food Company	75,000
5700 Canoga Ave., Woodland Hills	Viking River Cruises, Inc. (renewal)	68,882
655 N. Central Ave., Glendale	Dreamworks	44,636
21255 Burbank Blvd., Woodland Hills	Infinity Ward/Activision (renewal)	43,754
2255 N. Ontario Street, Burbank	Insomniac Games (renewal)	41,510

Sales Activity

Total office building sales activity in the fourth quarter 2013 rose compared to the third quarter 2013 in terms of dollar volume, and cap rates have been lower in 2013, averaging 6.17% compared to the same period in 2012 when they averaged 7.25%. The largest transaction that occurred within the fourth quarter 2013 was the sale of the 10 Universal City Plaza building in Universal City by Normandy Real Estate Partners to Comcast Corporation. The sale of this 813,892 square foot building took place on 10/2/2013 at a price of \$395,000,000 or approximately \$485.32 per square foot.

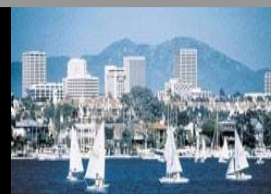


REALTY ADVISORY GROUP, INC.



BINSWANGER

PROVIDING OFFICE TENANTS WITH EXPERT SOLUTIONS



Local Offices

Santa Clarita Valley
28338 Constellation Road
Suite 950
Valencia, CA 91355
(661) 702-8880

Los Angeles
545 S. Figueroa Street
12th Floor
Los Angeles, CA 90071
(213) 627-3338

Orange County
4041 MacArthur Boulevard
Suite 120
Newport Beach, CA 92660
(949) 650-5899

**Duane Cody – Senior Director
Southern California Operations
(661) 702-8880
dcody@raginc.com**

Prepared by:

Binswanger / Realty Advisory Group
28338 Constellation Road, Suite 950
Valencia, CA 91355
Tel (661) 702-8880
www.binswanger.com



REALTY ADVISORY GROUP, INC.

BINSWANGER